part 2

Baine

WITNESS DIRECT TESTIMONY SUMMARY

Witness: Edward H. Baine

Title: President, Virginia Electric and Power Company

Summary:

Company Witness Edward H. Baine's direct testimony introduces and provides context for the relevant issues to be determined by the Commission in this triennial review proceeding, which include: (1) the review of the Company's cost of service and earnings for the historic periods 2017 to 2020 (the "Triennial Review Period"), and whether there are any past earnings available for reinvestment for the benefit of customers or for bill credits; (2) whether the Company's rates for generation and distribution services should remain stable or change for the upcoming triennial period; and, importantly, (3) the Commission's determination of the Company's forward-looking cost of equity to support the investments it must make as a utility to serve its customers.

Mr. Baine testifies that Dominion Energy Virginia has continued to manage its operations over the Triennial Review Period in a way that provides outstanding value to its approximately 2.6 million customers in the Commonwealth, as supported by the generation performance, reliability and resilience, customer service, and other metrics presented in the Filing. The Company's prudent investments in and exceptional operation of its nuclear and non-nuclear generation units protect against reliability crises and generate considerable economic value for customers. Likewise, the Company is maintaining a strong record of performance in its distribution operations, and its restoration efforts during the Triennial Review Period following unusually severe weather have been particularly notable and commended. The Company is continuing to make prudent investments in both the generation and distribution systems to maintain and enhance this high level of service, as well as to aggressively move to a carbon-reduced portfolio and adapt the grid to new operating realities and requirements.

Mr. Baine explains that the Company's base rate revenues over the Triennial Review Period closely matched its cost of service. After recovering those costs, and accounting for the over $200 million in debt forgiveness directed by the General Assembly for those customers struggling during the pandemic, there are approximately $26 million in revenues available for credit or reinvestment for the benefit of customers. Mr. Baine testifies that the Company is electing reinvestment of those revenues in the Coastal Virginia Offshore Wind ("CVOW") project through the newly authorized Customer Credit Reinvestment Offset mechanism. This offset will reduce the capital and future financing costs of the CVOW demonstration project for customers going forward, while supporting this important step toward a carbon-free future in Virginia.

Regarding the forward-looking view of the cost of service, projected costs will exceed revenues annually by approximately $19 million. However, under the law, the Company is not permitted to seek a rate increase in this proceeding. And because the Company's aggregate investments in new renewable generation facilities and grid transformation projects over the Triennial Review

Period exceed available earnings, base rates will remain stable throughout the upcoming triennial period.

Mr. Baine reports that the Company's total rates, including the base generation and distribution components and all riders, remain extremely competitive with relevant regional and national benchmarks. Residential rates are more than 8% below the national average, 23% below the East Coast average, over 25% below the middle Atlantic states average, and more than 35% less than the average for peer utilities serving customers in states that are part of the Regional Greenhouse Gas Initiative compact that the Commonwealth recently joined. And, since 2008, these residential rates have increased at an annual rate of approximately 0.84%, well below the rate of inflation of approximately 1.72%. Overall rates across all customer classes are similarly below national and various regional benchmarks.

Looking forward, Mr. Baine addresses the transformational changes that must occur as a result of the landmark public policy directives under the Virginia Clean Economy Act and the Grid Transformation and Security Act of 2018. Virginia is poised to be a national leader in transitioning its electric utilities to a carbon-free generation future, and to making the electric grid smarter, greener and more reliable. Over the next five years, the Company forecasts capital investment levels exceeding $28 billion, $23 billion of which is to support investment such as customer growth, solar build out, storage deployment, nuclear subsequent license renewal, and the first utility scale off-shore wind project in federal waters. Longer term, the anticipated investments related to VCEA compliance alone may approach $40 billion over the next 15 years.

Mr. Baine testifies that the Company's need and ability to undertake these investments for the benefit of customers, and to do so cost-effectively for them, is directly related to the authorized ROE that the Commission will determine in this case. The evidence demonstrates that the Company's market cost of equity falls in a range from 10.5% to 11.5%. While the Company's excellent level of performance, as well as its capital needs and other risk factors detailed by Company Witness Coyne, support an ROE at the upper end of the estimated cost of equity range, in recognition of the current economic conditions, the Company is requesting that the Commission approve a return which is below the midpoint of the estimated cost of equity range, at 10.8%.

Finally, Mr. Baine introduces the other Company witnesses presenting direct testimony in this proceeding.

DIRECT TESTIMONY
OF
EDWARD H. BAINE
ON BEHALF OF
VIRGINIA ELECTRIC AND POWER COMPANY
BEFORE THE
STATE CORPORATION COMMISSION OF VIRGINIA
CASE NO. PUR-2021-00058

Q. Please state your name, business address and position of employment.

A. My name is Edward H. Baine and I am President of Virginia Electric and Power Company ("Dominion Energy Virginia" or the "Company"). My business address is 600 E. Canal Street, Richmond, Virginia 23219. A statement of my background and qualifications is attached as Appendix A.

I. INTRODUCTION

Q. Why are you appearing as a witness in this proceeding?

A. I am here to introduce and give context for the determination of the relevant issues in this triennial review proceeding. Under the law, these include: (1) the review of the Company's cost of service and earnings for the historic periods 2017 to 2020 (the "triennial period"), and whether there are any past earnings available for reinvestment for the benefit of customers or for bill credits; (2) whether the Company's rates for generation and distribution services should remain stable or change for the upcoming triennial period; and, importantly; (3) the Commission's determination of our forward-looking cost of equity to support the investments we must make as a utility to serve our customers.

So this case is a financial review of our base rates but, in doing so, the Commission must address a number of questions regarding how well the Company is fulfilling its responsibility to provide customers with safe, reliable and cost-effective electric utility service in a manner which is environmentally responsible and otherwise consistent with the public policy goals of the Commonwealth. Along with how it will continue to do so in the future. As the President of Dominion Energy Virginia, I am here in the first instance, and supported by many others, to address those critical questions of "how are we doing," and "what are the expectations and required tools for future success," recognizing the critical role this Commission plays in achieving that success.

Along these lines, I support the conclusion that Dominion Energy Virginia has continued to manage its operations in a way that provides outstanding value to its approximately 2.6 million customers in the Commonwealth for the critical service we deliver. Our nearly 7,400 employees place the highest emphasis on being a safe and excellent operator. The reliability, customer service, and other performance metrics which will be presented in this case support that determination. We want our customers to experience uninterrupted power supply, rapid and efficient restoration when circumstances disrupt it, and friendly and responsive interactions when they need us. And we must achieve this during fair weather and good times as well as amidst severe storms, physical or cyber security threats, or even a global pandemic—which the evidence will show we have in fact done over the past four years.

Our rates are designed to recover the cost to serve, including the required return needed to raise the capital required to do so. The financial results which are under review in this proceeding demonstrate that our base rate revenues over 2017-2020 very closely matched our cost of service. As the testimony of Company Witness Ingram and our Filing Schedules demonstrate, after recovering those costs, and accounting for the over $200 million in debt forgiveness directed by the General Assembly for those customers struggling during the pandemic, there are approximately $26 million in revenues available for credit or reinvestment for the benefit of customers. The Company is electing reinvestment of the customer share of those revenues in the Coastal Virginia Offshore Wind ("CVOW") project—an important step toward our carbon-free future—through the newly authorized Customer Credit Reinvestment Offset ("CCRO") mechanism.

I am also here to proudly support that our total residential rates, including the base generation and distribution components, fuel and all rider charges, remain extremely competitive with relevant regional and national benchmarks. They are more than 8% below the national average, greater than 23% below the East Coast average, over 25% below the middle Atlantic states average, and more than 35% less than the average of our peers in the Regional Greenhouse Gas Initiative ("RGGI") states. In addition, since 2010, these rates have increased at an annual rate of less than 1% (approximately 0.84%), and just a little over half of the general rate of inflation of approximately 1.72%. And our overall rates, regardless of customer class, likewise have been and remain below these national and comparative regional benchmarks. We know how important reasonable electric rates are to individuals, families, businesses, and other organizations, and we continue to do our part to support economic opportunity and development for customers and the Commonwealth as a whole.

Looking forward, I will testify that the challenges and opportunities ahead are, in a word, unprecedented. Through landmark public policy directives from our General Assembly under the Virginia Clean Economy Act enacted in 2020 ("VCEA") and the Grid

Transformation and Security Act of 2018 ("GTSA"), Virginia is poised to be a national leader in transitioning its electric utilities to a carbon-free generation future, and to making the electric grid smarter, more reliable, greener and more resilient. The Company embraces these objectives, but the operational and financial hurdles to executing this plan in a timely, successful, and cost-effective manner will require the support of and collaboration with relevant stakeholders like never before.

Many of the cost recovery aspects of these transformational changes will be addressed in other Commission proceedings, and for "base rates" our anticipated cost of service in 2022 remains closely in line with projected revenues over that rate year. In fact, the Company is showing a modest revenue requirement in 2022 of $19 million. However, we are not seeking a base rate increase; in fact Virginia law prohibits our doing so in this initial triennial review.

But of particular relevance to this case is the allowed rate of return on equity ("ROE"). It is a simple and indisputable fact that utilities must obtain external capital to fund all of the infrastructure required to serve when those costs are recovered from customers over long periods of time. And when the future capital needs are as substantial as the Company's—tens of billions of dollars of new investment—the importance of an ROE consistent with our industry peers with whom we compete for capital is paramount. As our witnesses will explain, if the return is too low, the risk of actually being able to secure the capital needed to deploy for the completion of projects, at the lowest reasonable cost to customers, is material. We respect the Commission's prior determinations on ROE, but objectively note that the Company's current authorized return is deficient compared to its peers, and our expert testimony shows that it is inconsistent with what investors will reasonably expect going forward.

Against this backdrop, I am also keenly aware that this case is being conducted in very challenging times—for our customers, for our utility and its industry, and for our Commonwealth and nation. Dominion Energy Virginia will continue to do its part to continue to help those customers struggling the most, through efforts such as the $200 million in direct debt forgiveness I mentioned, our expanded EnergyShare commitment, flexible payment plans, and other tools, including pivoting our volunteer efforts in 2020 to support pandemic-related needs such as food shortages. And we will continue to operate responsibly, reasonably, and efficiently to benefit all customers.

With this in mind, my testimony will highlight key points of the Company's Application (collectively, along with the Company's Filing Schedules, the "Filing"), and I will also introduce the other Company witnesses who are presenting direct testimony in this case.

Q. How is the remainder of your testimony organized?

A. The remainder of my testimony is organized as follows:

II. Performance Review

III. Earnings Test Results

IV. Customer Rates

V. ROE Determination

VI. Other Issues and Witness Introduction

VII. Conclusion

II. PERFORMANCE REVIEW

Q. Mr. Baine, can you please introduce the current state of the utility and address the Company's track record of performance over the historical triennial period?

A. Yes. As the Commonwealth's largest incumbent electric utility, we have a responsibility to provide our customers with safe and reliable electric service 24 hours a day, every day of the year. Unlike the case in many deregulated markets, which was made clear during the recent widespread power outages across Texas this winter, our obligation is to properly invest in, maintain, protect, and operate all of the vertically integrated generation, transmission, and distribution assets required to meet our legal and professional mandate to serve. With a solid and adequate foundation of diverse and prudently managed assets, we meet this challenge, avoiding the harmful, and in some cases devastating, reliability failures which we have recently seen in jurisdictions like Texas and California.

This is particularly important because Dominion Energy Virginia provides electric service to approximately 65% of Virginia's residential customers, including the population centers from Northern Virginia through Richmond and into Hampton Roads. Our customers include key drivers of commerce and industry both here and beyond our borders, as well as many which are critical to the function of government and our national defense.

Unlike many utilities, Dominion Energy Virginia continues to see customer and load growth. During the triennial period, we connected over 134,000 customers, and now serve approximately 2.6 million customers in the Commonwealth. Among these are more than 75 new data centers which help run the Internet worldwide. They also include companies in the retail, manufacturing, and healthcare industries, and in government, which are helping to drive expanded economic opportunity and development in the Commonwealth.

To carry all of this out, the Company manages a diverse electric generating fleet consisting of approximately 19,000 MW of generating capacity, transmitted over approximately 6,700 miles of transmission lines and 58,900 miles of distribution lines. We operate these assets safely, reliably and efficiently, making prudent investments in infrastructure while maintaining reasonable rates for our customers, which will continue to be the case as the transition to a decarbonized future continues.

Company Witnesses Robert W. Sauer, Gerald T. Bischof, and Charlene J. Whitfield will address the Company's performance in the areas of generation, distribution, customer service, and operating efficiency in detail. However, I would like to highlight a few key achievements.

During the triennial period, we added two new combined-cycle facilities to our generation fleet, which are among the most efficient of their kind and alone can power over 700,000 homes with reliable, dispatchable energy. Our emphasis on a diverse portfolio of utility "iron in the ground" over the past twelve years, enabled by constructive legislation, has significantly increased the Commonwealth's energy independence; saved our customers hundreds of millions of dollars on their energy bills; and positioned us well to achieve a reduced carbon future as the Company transitions from traditional fossil fuels to renewable generation resources.

Once built, we know that we must be an outstanding operator of these assets to maximize the benefit for our customers. And I submit that the evidence supports that we have been, and remain, such an operator. Our generation fleet consistently outperforms nationally recognized performance standards. One critical benchmark of generation performance is the fleet's Equivalent Forced Outage Rate on demand ("EFORd"). As Company Witness Sauer testifies, our non-nuclear EFORd results continue to compare very favorably to our peers, performing more than 50% better than such peers in PJM, and almost 65% ahead of the North American Electric Reliability Corporation ("NERC") average, over the triennial period. In addition, our four nuclear generation units at North Anna and Surry have for many years ranked among the top performers in the country in terms of safety, reliability and cost-effectiveness, with capacity factors exceeding 95% over the triennial period, as Company Witness Bischof testifies. These low energy cost and carbon-free sources of generation will continue to play a critical role in serving customers reliably as we work to achieve a cleaner energy future.

In the areas of electric distribution and customer service, Company Witness Whitfield testifies how well we carry out our basic duty of "keeping the lights on" for our customers every day. The Company is maintaining a strong record of reliability in its distribution operations, and we have continued to make prudent investments in the distribution system to maintain and enhance this high level of service, as well as to adapt the grid to new operating realities and requirements. Company Witness Johnson explains and supports some of these historical investments over the triennial period. Company Witness Whitfield also supports our excellent levels of customer service and operating efficiency, noting projects such as our new website, Interactive Voice Recording ("IVR") system upgrades, and self-service channel enhancements, along with our record-setting performance in 2020 in answering the lines quickly when our customers contact us.

I further would like to emphasize the outstanding safety record that the Company has achieved in all aspects of its operations. Safety is a core value at Dominion Energy and is at the heart of all we do. Our safety record has consistently ranked in the first quartile among our peers, and we've continued to improve it over the triennial review period – reducing Occupational Safety & Health Administration ("OSHA") recordable injuries by 33% from 2017 to 2020, with 2020 being a record year for the Company even in the midst of a pandemic.

Lastly, I'd like to highlight our extraordinary efforts in the area of service restoration following severe weather events. As Company Witness Whitfield attests, the Company's service territory experienced no fewer than 66 significant storms and weather events during the triennial period, including 6 tropical events, 10 winter snow or ice storms, 12 significant wind storms, and nearly 3 dozen thunderstorms. Several of these weather events received national attention, and some occurred on national holidays and weekends. Regardless, our Company and our colleagues answered the call to restore customers' service safely and efficiently, with all costs recovered within existing rates.

Our storm restoration efforts have been recognized by the industry, including receiving the Emergency Response Award from the Edison Electric Institute for outstanding recovery and assistance efforts in response to Tropical Storm Michael in 2018, Hurricane Dorian in 2019, and most recently Tropical Storm Isaias in 2020. Tropical Storm Isaias was the tenth largest storm in Company history, and the men and women of our restoration crews restored power to over 500,000 customers in only three days—during a worldwide pandemic. This storm tested our people, our restoration processes, and our ability to innovate and adapt. I am proud that our employees did exactly that on behalf of our customers.

We are also proud of the work we do with the business community. Recently, we were designated a 2020 Business Customer Champion by Escalent Market Research, which recognizes exemplary performance in engaging business customers. The Company ranked in the top decile in the industry and was the top scoring utility in the South.

Q. How is the Company performing in terms of energy efficiency goals?

A. We recognize that energy efficiency programs are critical in helping our customers reduce consumption and their overall energy bill, and I believe we are making significant progress toward meeting the statutory targets for proposing and implementing effective energy efficiency programs. There are 38 such active or proposed programs currently, and the Company is at approximately 55% of the $870 million benchmark for proposed programs by 2028. With respect to our low income, elderly or disabled, or veteran customers, the Company has multiple programs tailored to specifically provide these customers with valuable energy efficiency measures, all at no cost to the participant. In our lighting and home appliance programs, the Company has rebated about 5.6 million LED bulbs and over 23,000 Energy Star appliances since 2019 alone. And we are working hard, assisted by a stakeholder process and independent monitor, to develop further pathways to present to this Commission in order to achieve these important policy priorities.

Q. Are there other operational initiatives that you would like to highlight?

A. Yes. Another of Dominion Energy's core values, in addition to safety, is "Embrace Change." As a Company and as a public service corporation, and from a personal perspective as well, we not only have an obligation to contribute to the communities we serve, but also to demonstrate commitment to principles that reflect important public policy priorities, including diversity and inclusion and environmental justice.

Internally, we want to recruit, retain and develop the careers of talented individuals who reflect the communities we serve. The Company has established a workforce representation goal to improve our diversity by 1% annually. The Company's employees lead eight diverse employee resource groups to support our culture of inclusiveness, create community, provide networking opportunities, and encourage professional development.

Our commitment also extends externally, and Dominion Energy has provided important leadership regarding these topics. In 2020, we pledged $25 million to Historically Black Colleges and Universities across Dominion Energy's footprint, committed $10 million to a diversity scholarship program, and established a $5 million Social Justice Fund. The cost of these donations in not borne by customers and not included in cost of service. However, it is an important demonstration of our commitment to strengthen the communities in which we do business.

We have also for many years been recognized for our efforts to support those men and women who have served our country in the military. Since 2011, when we helped start the Troops to Energy jobs program with the Center for Energy Workforce Development along with other industry peers, approximately 1 in 5 new Dominion Energy hires has been a veteran. We have been recognized as a top military friendly company for the past 12 years. Since 2018, G.I. Jobs has recognized our company as a Top 10 military friendly company nationwide and we've earned the U.S. Department of Labor's HIRE Vets Medallion Platinum award.

Furthermore, the Company adopted an environmental justice policy in 2018 through which it commits to listening, considering, and responding to the concerns of all stakeholders in the process of siting and operating energy infrastructure. The Company's policy calls on project development teams to implement environmental justice reviews regardless of whether doing so is required for permitting or other regulatory approvals. In addition, we are screening within programs like strategic undergrounding, grid transformation projects, and rural broadband initiatives for social justice priorities, meaning that we want to ensure that these valuable services are fairly allocated among all of our customers, regardless of status.

I believe that these examples and initiatives underscore our long-standing commitment to opportunity, diversity, and fair treatment for all—a commitment that extends well beyond our provision of utility service.

Q. Do you have any final remarks on the Company's efforts over the triennial period in furtherance of its public service obligation?

A. Yes. We recognize the significant financial hardships our customers have faced, and continue to face, as a result of the COVID-19 pandemic. We believe customers should not have to worry about whether the lights will stay on while they navigate the challenges this crisis has placed on everyday life. To that end, the Company suspended service disconnections in March 2020, before the Commission requirement was put in place, and is continuing to suspend such disconnections for nonpayment consistent with the statewide moratorium. To further help our customers, the Company supported legislative action directing the forgiveness of approximately $206 million in past due electricity bills, the first installment of which includes arrears balances as of September 30, 2020 and the second anticipated installment for such balances as of December 31, 2020. The December 30, 2020 provisions are included in this Filing based on their current form, which awaits action by the Governor.

We also have voluntarily suspended late fees, added flexibility to our payment plans, and remained committed to our EnergyShare program, which is voluntarily funded by the Company's shareholders, employees, and customers to help bridge the gap for customers in need, and not recovered through rates. From 2017 to 2020, EnergyShare contributions helped 90,000 individuals and families in Virginia. Recognizing the impact the pandemic has had on our small business customers, we also temporarily expanded EnergyShare in 2020 to include the Small Business Relief Program in partnership with the Virginia Chamber of Commerce. The Company pledged $500,000 to provide energy bill relief to small businesses, nonprofits, and houses of worship in its Virginia service territory, which was likewise funded by shareholders and will not impact customers' rates.

I also salute the work our employees have done to give back to the communities we serve. Over the past four years, our colleagues volunteered more than 280,000 hours to projects in Virginia. Some examples include employees helping to gather and distribute food to community groups throughout Virginia, such as Circles RVA, Feed More and

PATCH Virginia, Chesapeake Meals on Wheels, Northern Virginia Assistance League, and the United Way of Southwest Virginia; building tables and benches for donation to marginalized communities; and assembling and donating blankets, homeless care kits and virtual learning readiness kits. These are just a few demonstrations of our commitment to giving back to our localities and our customers.

III. EARNINGS TEST RESULTS

Q. Turning to the question of the Company's cost of service and earnings, what were the Company's results from operations for the 2017 – 2020 triennial review period?

A. As presented in the testimony of Company Witness John C. Ingram and related Filing Schedules, the cost to provide base generation and distribution services to our customers over the historical four year period, including the authorized return band, was approximately $12.45 billion. Over this period, the Company's base rate capital investment in order to provide generation and distribution services to customers was approximately $4.8 billion, as Company Witnesses Sauer, Bischof, and Whitfield detail. The revenues collected from customers to recover the overall $12.45 billion cost of service over the triennial review period were closely in line with that figure. After accounting for the debt forgiveness amounts as directed by law, there were approximately $26 million in revenues available for earnings sharing with customers.

The $26 million customer share of those available revenues can be reinvested in qualifying renewable generation or grid transformation projects through the CCRO process, and the Company is electing to reinvest that amount into CVOW. This will reduce the capital and future financing costs of the demonstration project, which is paving the way for the largest new renewable offshore wind generation facility of its kind off the Virginia coastline. Offsetting these amounts means that customers will never see those capital costs in rates going forward, a valuable new feature in the law.

On an earnings test basis, which Company Witness Ingram supports in more detail, these results translate to an earned return on equity of 10.85% for the 2017-2020 combined test period, as calculated under the language of the recent debt forgiveness provisions in the law.. This assumes that the Company actually collected the $206 million in forgiven debt from 2020, which in reality was not the case. Adjusted for this revenue that was not collected and will never be collected, the actual earned return for the four year period is 10.04%. Both of these figures compare to an authorized earnings band limit of 9.9% before the earnings sharing mechanisms under the law would apply.

The results of the earnings test, assuming they are accepted by the Commission, and our level of approved CCRO-eligible amounts invested for customers during the triennial period, dictate that base rates will remain stable until at least the end of the next triennial review in 2024. We have presented a forward-looking view of our cost of service as required, which shows that our projected costs will exceed revenues annually by approximately $19 million in 2022. However, under the law, the Company is not permitted to seek a rate increase in this proceeding.

Q. You mentioned reinvestment of available earnings. Would you please elaborate?

A. The GTSA adopted by our General Assembly in 2018 provides several directives impacting this proceeding. Among other things, the GTSA restored base rate reviews on a triennial basis and encouraged investments in new programs and infrastructure to transform the electric distribution grid. Another key provision of the GTSA for the benefit of customers was to permit the option of immediate and full recovery of certain qualifying investments from available base rate earnings. To the extent the Company has undertaken capital investments in new solar or wind generation facilities or electric distribution grid transformation projects during the triennial period, it may elect to utilize available earnings to fully fund these investments and remove them from the cost of service going forward. The result is that customers do not continue to pay for these assets—including ongoing financing costs—over their remaining service lives. This process is referred to as customer credit reinvestment offsets or CCROs. No utilized CCRO amounts are thereafter included in the base cost of service or any stand-alone rate adjustment clause.

This CCRO alternative is an innovative feature of the regulatory construct which provides further protection for customers, as Company Witness Reed supports. Prior to enactment of the GTSA in 2018, efficiencies in the management of the Company that resulted in available earnings above the authorized earnings band were also shared with the customer, which is not the case in most jurisdictions. However, the only option for sharing was via a temporary, multi-month bill credit. The CCRO is another tool which aligns the interests of customers and the utility, and is an even more favorable alternative over the long term to the extent it avoids future financing costs for qualifying investments, which otherwise could extend out for several decades.

At the end of the day, the new CCRO process further ensures that any revenues available for sharing are put to good use, and for customers' benefit, with no windfall to the utility. Put another way, the bill credit and CCRO provisions in the law, taken together, foreclose any possibility that the Company can "over-earn" on its base rates. This is a construct which is uniquely beneficial to customers, as Company Witness Reed further discusses.

Q. Does the Company anticipate that it will make CCRO-eligible investments over the next triennial period which might be elected for offsets in the 2024 proceeding?

A Yes. We do not know at this point what the financial performance of the Company's base rates will actually be over the next three years, or what elections might be made in the 2024 triennial review case. However, consistent with both the VCEA and the GTSA, there is certainly a plan to continue to invest in new renewable generation facilities, including solar and offshore wind resources, along with continued grid transformation projects, which are, if approved by the Commission, CCRO-eligible investments.

Q. Are there other aspects of the earnings test results that you wish to highlight?

A. Yes. Prior to July 1, 2020, consistent with accounting guidance and long standing regulatory practice, the law directed that certain one-time charges associated with asset impairments, environmental compliance projects, severe weather events, and natural disasters be recovered from customers within the period that they were recorded if the utility had sufficient earnings to do so. These costs can be significant, and following the accounting guidance prevents the alternative of spreading them out for payment by customers in the future. I am not a lawyer, but understand that legislation in 2020 purported to revise this rule as to asset impairments associated with the early retirement of generation facilities, stating that the Commission has discretion to order either "period treatment" or amortization over future periods.

There are such costs in the 2017 - 2020 earnings test results. In both 2019 and early 2020, prior to the new legislation, market dynamics that were unfavorable for customers, followed by the VCEA's enactment, dictated asset impairment costs related to the early retirement of a number of our older fossil generating facilities. These power plants have provided value to our customers, as well as employment and local economic benefits, for decades. However, their economics of dispatch and long-term viability in an emerging carbon-reduced world led to this determination. Importantly, though, the Company was able to fully recover the remaining book value of these facilities within the review period. Under this accounting, customers are protected. There are no future capital recovery or financing costs, and no potential rate impact, for customers associated with these facilities going forward.

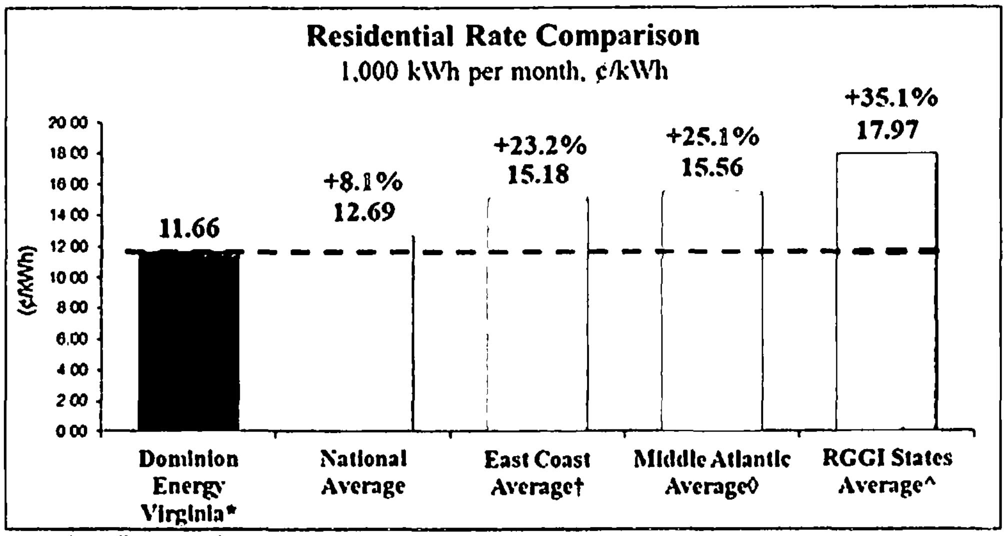
On this point, the Company firmly believes that its as-booked accounting treatment is in the best interest of customers and consistent with applicable accounting guidance and Commission precedent. Company Witnesses Reed and Ingram address this point further in their respective testimonies.

IV. CUSTOMER RATES

Q. How do these operational and financial results relate to customer rates?

A. I think any discussion of "how are we doing" would be lacking if it didn't include the subject of customer rates. And I am pleased to say that the Company has delivered these strong results which I have described, and continued to provide safe and reliable service, while maintaining very competitive and stable retail rates relative to our peers.

Our base rates have not increased since 1992, over 28 years ago, and they were reduced in both 1999 as a result of a rate case settlement and again in 2019 as a result of reductions in federal income tax rates. As Company Witness Whitfield testifies, and as demonstrated the table below, the Company's total residential rates, inclusive of all charges and riders, are more than 8% below the national average, over 23% below the East Coast average, over 25% below the middle Atlantic states average, and more than 35% lower than the average electric retail rates for utilities serving customers in states that are part of the RGGI compact, which Virginia has now joined.



*Dominion Energy Virginia: All in residential rates as of March 2021.
†East Coast Average: CT, ME, MA, NH, RI, NJ, NY, PA, DE, DC, FL, GA, MD, NC, SC, VA.
◊Middle Atlantic Average: NJ, NY, PA.
^RGGI States Average: CT, ME, MA, NH, RI, VT, NJ, NY, DE, MD (excludes VA).

Source: U.S. Energy Information Administration, Table 5.6.A Average Price of Electricity to Ultimate Customers by End-Use Sector. Data released March 24, 2021 reflecting January 2021 rates.

Likewise, our overall retail rates for all customer classes combined are lower than these regional and national averages, and in many cases well below them, as Company Witness Whitfield testifies. By any relevant benchmark, we are promoting economic opportunity for the individuals and businesses we serve through reasonable and competitive overall utility rates.

Q. Is it a true statement that Dominion Energy Virginia customers pay some of the highest costs for energy in the nation?

A. No, that is categorically a false narrative which misleadingly plays upon the important distinction between utility *rates,* on the one hand, and utility *bills*, on the other. It also ignores the basic fact that a customer's energy costs come from electricity, gas, propane and any other source the customer uses. As to electric usage, consumption is driven by any number of non-rate factors which differ state-to-state such as average home size; primary heating source (*i.e.*, states with milder winters utilizing electricity more often for winter heating versus states with colder winters more often utilizing fuel oil or gas for winter heating); and climate (*i.e.*, states with hot humid summers versus mild summers during which air conditioning use is less common). Virginians experience warm, humid weather in the summer and rely more heavily on electricity for heating during the colder months, in contrast to other regions which have more temperate summers and a higher prevalence of heating and costs from other fuels such as natural gas. In short, rates per kilowatt-hour ("kWh") are the appropriate metric for benchmarking among electric utilities in this regard. And the evidence on comparative rates, summarized above, speaks for itself.

Q. How have the Company's overall rates performed under the current regulatory construct?

A. Exceptionally well. Our overall rates have remained stable and competitive since the transition to the new regulatory model under the Virginia Electric Utility Regulation Act, Va. Code §§ 56-576 *et seq.* (the "2007 Act"). As of the date of this filing, the Company's total rate for the typical residential customer consuming 1,000 kWh monthly has increased approximately 0.84% annually over the past ten years, which is just over half the rate of inflation for consumer goods and services of approximately 1.72% over this same period.

And bear in mind, this has been accomplished while adding more than 6,000 MW of new, highly efficient and environmentally responsible generation resources to our portfolio over this period, greatly increasing the Commonwealth's energy independence and giving our customers the long-term benefits of utility-owned and operated supply alternatives, as well as making prudent investments in electric distribution grid transformation projects and demand-side and energy efficiency measures.

Overall, the plain facts are that through prudent management and balanced decisions the Company has been able to maintain exceptional service, further important public policy priorities, and at the same time keep its customer rates competitive, cost-effective, and just and reasonable.

V. ROE DETERMINATION

Q. What is the context for the Commission's ROE determination in this proceeding?

A. This Filing comes at a transformational time for the Company and the Commonwealth. Dominion Energy has committed to net zero emissions by 2050, and we are already making significant progress toward achieving that goal through prudent investments in new and emerging technologies. And with the enactment of the VCEA in 2020, Virginia has set a course to achieve a carbon-free future and to become a national leader in renewable energy development. By 2045, 100% of the Company's electricity sales in the Commonwealth are targeted to be generated from clean energy sources.

To get there, the VCEA calls for the significant deployment of new renewable generation and energy storage resources in the Commonwealth, including 16.1 gigawatts of solar and onshore wind capacity, up to 5200 MW of offshore wind capacity, and 2,700 MW of energy storage capacity by 2035. Meeting these aggressive requirements will require a transformation of the Company's generation fleet used to meet customers' energy and capacity needs, as well as a transformation of the energy grid needed to serve customers.

We embrace these objectives and our net zero commitment and are working to achieve these important goals while maintaining our focus on safe, reliable and cost-effective energy. Thankfully, we have a baseline for our utility of low, competitive rates and a regulatory framework, if properly applied, to get us there. The first installment of this program is before the Commission with the Company's pending application for approval of nearly 500 MW of new solar generating capacity, enough to power roughly 125,000 homes, as well as our inaugural plan to meet the renewable development targets, to support economic development and to deliver substantial fuel benefits for customers.

Q. What are the Company's planned capital expenditures, related to the VCEA or otherwise?

A. Over the next five years, the Company forecasts capital investment levels exceeding $28 billion, $23 billion of which is to support investment such as customer growth, solar build out, storage deployment, nuclear subsequent license renewal, and the first utility scale off-shore wind project in federal waters. Longer term, the anticipated investments related to VCEA compliance alone may approach $40 billion over the next 15 years.

As Company Witness Coyne notes, this level of capital investment is not only substantial in its own right, but also well above the anticipated capital deployment levels of virtually all of our peers, with whom the Company competes for available capital.

Q. So what are the implications of this, in the Company's view, with respect to the Commission's ROE determination in this proceeding?

A. Again, I might start with the question "where are we now?" and then address "where do we plan to go?."

Q. Please proceed.

A. Since the Company's "going-in" review following the 2007 Act's enactment, the Commission has reduced Dominion Energy Virginia's authorized ROE from 11.9% in 2009, to 10.9% in 2011, to 10.0% in 2013, to 9.6% in 2015, to 9.4% in 2016, and then most recently to 9.2% in 2017, maintaining this level in 2019. As it stands, and as the testimony of Company Witness Coyne supports, the current 9.2% authorized ROE is approaching the absolute bottom of the scale for a vertically integrated electric utility operating in the United States. In fact, there are only 4 decisions out of 102 at or below this level anywhere in the country over the last four years—the bottom 5%. And these recent awards by the Commission have consistently gravitated toward the minimum permitted by statute under the requirement to set the Company's ROE in a competitive position with its southeastern utility peers.

Let me be clear that the Company has the utmost respect for this Commission's authority. But the 9.2% award is objectively inconsistent with ROE determinations in other jurisdictions, and particularly with respect to jurisdictions impartially deemed to have "constructive" regulatory environments. As Company Witness Coyne notes, the average

ROE award in such jurisdictions over the past four years has been 10.03%, with a range of 9.8% to 10.5%. Company Witness Coyne's expert empirical evidence likewise supports a current cost of equity estimate for the Company of 10.5% - 11.5%, which is of course substantially higher than the presently authorized ROE.

Q. So what is the "looking forward" view on this issue?

A. Our need and ability to undertake the investments I have described for the benefit of our customers, and to do so cost-effectively for them, is directly related to the authorized ROE that the Commission will determine in this case. It can't be underscored enough how critical an adequate return will be to these efforts. The Commonwealth has established an aggressive environmental public policy through the VCEA, with correspondingly aggressive directives to Virginia's electric utilities, and to the Company in particular. Just as Virginia prizes its AAA bond rating, because leaders know that this strength allows access to capital during good times and bad at the lowest reasonable cost, so too must the utilities operate from a position where investors have confidence in the opportunity for an adequate return on the funding they provide.

Q. With that background, what ROE is the Company requesting the Commission approve?

A. As I noted, our evidence, including that presented by Company Witness Coyne, demonstrates that the Company's market cost of equity falls in a range from 10.5% - 11.5%. We are requesting that the Commission approve an ROE of 10.8%, which is below the mid-point of this range, for the upcoming triennial period. In past reviews, the Company has requested ROEs at the upper end of the estimated range, noting in part the Company's outstanding performance levels which the law provides can be taken into account by the Commission in setting the return. Our performance during the triennial period has continued to be outstanding and has delivered superior value to customers, and the Company likewise asks here that it be considered by the Commission in its ROE determination. While this excellent level of performance, as well as our capital needs and other risk factors detailed by Company Witness Coyne, could warrant an ROE at the upper end of the estimated cost of equity range, we are mindful of current economic conditions that are impacting many of those we serve. Therefore, as noted, we are requesting that the Commission approve a return which is below the midpoint of the estimated cost of equity range, at 10.8%.

Q. How can the Company justify requesting any increase at all in its authorized return during the current COVID-19 crisis?

A. We are always mindful of the impact that any cost recovery request may have on our customers. I would note that, by statute, the Commission's ROE decision in this case cannot increase the base rates over the next three years. And the Company is committed to executing on its mandates, as it always has been, in a cost-effective and reasonable way on behalf of its customers. But regardless of the times, we cannot have a disconnection between the obligation to serve and to meet our public policy directives on the one hand, and the ability to recover costs to serve those customers and to finance necessary investments on the other. Put another way, we cannot have a disconnection between these legislative directives and appropriate regulatory support to achieve them.

Q. Do you have any concluding remarks on the ROE determination?

A. Yes. As Company Witness Coyne notes, there are already some observers who are questioning if there has been an erosion of that regulatory environment which I just mentioned, and the signals sent by the Commission through its rulings in this case will be important to many stakeholders. I know that the Commission will decide this case based on the evidence presented. In this new world, I hope that within those boundaries there can be a reasonable application of the regulatory construct which supports the work ahead.

VI. OTHER ISSUES AND WITNESS INTRODUCTIONS

Q. Do you wish to highlight any other aspects of the Company's Filing?

A. Yes. In this Filing, the Company is proposing a reset of the functional base distribution and base generation charges to recover our costs to serve in a manner that is fair and equitable to all system customers, and that promotes stability and predictability of rates. Company Witness Paul B. Haynes presents our proposal to rebalance these charges and mitigate cost shifting between bundled service customers and retail choice customers. We believe that it is important to make this change at this time, on a revenue neutral basis, to ensure customers are paying rates sufficient to cover the costs to serve them and are not absorbing the costs to serve others.

Q. What other Company Witnesses are presenting direct testimony in this proceeding?

A. The Company is presenting the following additional witnesses:

- John J. Reed, Chairman and Chief Executive Officer of Concentric Energy Advisors, Inc., discusses the operational and financial value that the Company is providing to its customers, how this is enabled by the regulatory construct in Virginia, and the importance of balanced implementation of that construct.
- Robert W. Sauer, Vice President – System Operations, discusses the Company's generation portfolio, investments in that system, the generating plant performance and related operating efficiency criteria for the Company's non-nuclear generation units, and how its investments in and operation of the fleet have provided customer value.

- Gerald T. Bischof, Senior Vice President – Nuclear Operations & Fleet Performance, discusses the Company's nuclear generation units, their exceptional performance, and their significance as a resource for our customers.

- Charlene J. Whitfield, Senior Vice President – Power Delivery, discusses the Company's distribution performance in the areas of customer service, operating efficiency, resilience and service restoration, and describes the Company's distribution infrastructure and associated capital requirements.

- Augustus Johnson, IV, Director of Electric Distribution Grid Solutions, describes specific investments made by the Company to modernize its distribution system, including deployment of advanced metering infrastructure ("AMI"), installation of two battery energy storage systems ("BESS") through the Commission-established pilot program, as well as its investments in a new, modern Customer Information Platform ("CIP").

- James M. Coyne, Senior Vice President, Concentric Energy Advisors, Inc., calculates the Company's cost of equity and provides his conclusions regarding a proper ROE range for the Company. He also presents the results of his statutory peer group analysis.

- John C. Ingram, Director – Regulatory Accounting, presents the results of the Company's Earnings Test for the 2017-2020 test periods and the Company's election of CCROs. Mr. Ingram also presents the calculation of the Company's pro-formed cost of service, based on an adjusted 2020 test year, for the rate year commencing on January 1, 2022.

- Paul M. McLeod, Manager – Regulatory Accounting, describes each of the regulatory accounting adjustments the Company is making to reflect the 2017, 2018, 2019 and 2020 jurisdictional per books financial results on a regulatory accounting basis, and supports the ratemaking adjustments to the 2020 test year in order to reflect costs which are reasonably expected to occur during the rate year.

- Paul B. Haynes, Director – Regulation, addresses the Company's cost allocation methods, and provides support for the Company's proposed functional revenue apportionment and rate design. Mr. Haynes also describes the Company's proposed changes to certain rate schedules and its Terms and Conditions for the Provision of Electric Service.

- Robert E. Miller, Regulatory Specialist, sponsors the cost of service studies presented in Filing Schedule 40, and the classification of distribution plant costs and allocation of classified distribution costs in the cost of service. Mr. Miller also addresses proposed amendments to Schedule 24 for LED Outdoor Lighting.

- John I. Harris, Electric Distribution Contracts Consultant, sponsors proposed changes to the Company's process for establishing contract minimums for billing purposes for large customers.

VII. CONCLUSION

Q. Do you have any final remarks on the Company's Filing?

A. Yes, just briefly. I am honored to be here before this Commission representing the men and women of our Company and the interests of our customers, and I am grateful in advance for the attention and due consideration that this case will receive. Our evidence will show that the Company is delivering well on its public service obligations. It is providing value for its customers. And it is well positioned to do the job ahead of us, with appropriate support.

Q. Does this conclude your direct testimony?

A. Yes, it does.

BACKGROUND AND QUALIFICATIONS OF EDWARD H. BAINE

Edward H. "Ed" Baine is president–Dominion Energy Virginia. He is responsible for all facets of Dominion Energy Virginia, a vertically integrated electric utility with generation, transmission and distribution assets that provides electric service to about 2.7 million customer accounts in Virginia and northeastern North Carolina.

Mr. Baine joined the company in 1995 as an associate engineer and since has held numerous engineering, operational and management positions. He was promoted to vice president–Shared Services in 2009 and became vice president – Power Generation Merchant Operations in 2012. He became vice president–Power Generation System Operations in 2013 and senior vice president–Transmission & Customer Service in 2015. In 2016, he was named senior vice president–Distribution, Power Delivery Group. He was named senior vice president—Power Delivery, Dominion Energy Virginia in 2019 and assumed his current position in October 2020.

Mr. Baine is a member of the boards of directors of the Dominion Energy Credit Union, ChamberRVA, Venture Richmond, and CJW Medical Center. In addition, he serves on the board of visitors at Virginia Tech and the boards of directors of the Southeastern Electric Exchange, the Virginia Tech Athletic Fund, MEGA Mentors, The Valentine museum, as well as on the committees of the EPRI Research Advisory and AEIC Power Delivery.

Mr. Baine earned his bachelor's degree in electrical engineering from Virginia Tech and completed the advanced management program at Duke University's Fuqua School of Business. He is a registered professional engineer in Virginia.